

RECEIVED

JUL 26 2007

EXECUTIVE

1000 SOUTH WASHINGTON AVENUE, SUITE 101
LANSING, MICHIGAN 48910-1647

www.cedam.info

VOICE 517.485.3588
FAX 517.485.3043
staff@cedam.info



COMMUNITY ECONOMIC DEVELOPMENT ASSOCIATION OF MICHIGAN



UNITING PARTNERS TO REBUILD OUR COMMUNITIES

July 19, 2007

Michael DeVos
Executive Director
Michigan State Housing Development Authority
735 East Michigan Avenue
P.O. Box 30044
Lansing, MI 48909

Dear Michael:

Enclosed please find a Summary of CEDAM Recommendations for MSHDA's Effort to Revise and Improve the LIHTC Qualified Application Plan (QAP). We appreciate the opportunity to comment on this process as it moves forward and hope that you find these recommendations useful, thoughtful and constructive. It is our intention to balance the interests of our nonprofit members with the need for an efficient and rational process that meets the housing needs of the state. I welcome any opportunity to discuss these recommendations with you or with your staff.

I especially appreciate the opportunity to host a dialogue session around the QAP in August. As I expressed to Margaret Garry, I will work very hard to get representation from as many of CEDAM's diverse members as possible, and I commit to working with your office to make this meeting productive and meaningful. I look forward to working on this with you and reviewing the revised QAP.

Thank you for the opportunity to make comment on behalf of CEDAM's members. Please don't hesitate to contact me for any reason.

Sincerely,

A handwritten signature in cursive script that reads "Angie".

Angie Gaabo
Executive Director



Summary of CEDAM Recommendations for MSHDA's Effort to Revise and Improve the LIHTC Qualified Allocation Plan (QAP)

July 18, 2007

On behalf of CEDAM's nearly 400 members, including CDCs, community action agencies, and partners and supporters of quality affordable housing and neighborhood community development across the state, CEDAM offers its recommendations for the MSHDA effort to revise and improve the LIHTC Qualified Allocation Plan (the "QAP"). As all LIHTC stakeholders are aware, current market conditions and lack of alternative funding sources make the LIHTC program more important than ever in recent memory.

First, CEDAM would like to recognize MSHDA's commitment to continually improve upon its work and MSHDA's understanding that the affordable housing industry and its place in Michigan neighborhoods is always changing. The QAP cannot be a stagnant document as long as it attempts to adequately serve a dynamic community development industry and a dynamic Michigan economy.

These recommendations focus on two components of MSHDA's effort to revise and improve the QAP. First, the process by which MSHDA makes the revisions and improvements. And, second, the substance of the revisions and improvements.

The QAP Revision Process

Balanced Dialogue and Forum for Discussion

In recent years, MSHDA has made a concerted effort to express its plans for the future and to make these plans in partnership with the people and organizations most affected by MSHDA programs (its "stakeholders"). The same should be true for the LIHTC program. MSHDA should make clear the goals it seeks to achieve through the LIHTC and engage in an ongoing dialogue with LIHTC stakeholders regarding the appropriateness of these goals and the success rate of the LIHTC program in achieving its goals.

CEDAM, its members, and other stakeholders have willingly taken the time to describe our goals and insights to MSHDA regarding the LIHTC program. We ask the same from MSHDA. The stakeholders need to hear and understand MSHDA's assumptions and expectations about the MSHDA LIHTC strategy. MSHDA needs to explain what, if any, changes it believes are necessary; and to explain the policy assumptions or data that MSHDA believes supports such changes.

In 2005, one of the efforts that could have made the QAP revision process better would have been to have held a public meeting at the release of the draft QAP in which MSHDA staff could have explained in person

the rationale behind the proposed changes. Often, these rationales are lost in translation from a written document. Recently, MSHDA held a well-attended multi-family program forum. This format in which MSHDA staff answered questions about the “why,” “what,” and “how” of MSHDA programs is the kind of ongoing dialogue the LIHTC QAP program needs.

Moving forward, CEDAM would gladly play a role in any strategy to convene regular roundtables to discuss strengths, weaknesses, opportunities and threats for the LIHTC program. This type of roundtable would foster more interaction between MSHDA and community and industry stakeholders and would provide a venue to discuss the performance of the low-income housing portfolio in Michigan over time.

Consistency Over Time; Phase In Any Substantial Changes to the QAP

There is not support from stakeholders for an immediate wholesale alteration of the QAP. The QAP has evolved over time and requires significant investment by applicants to meet its requirements. Should MSHDA choose to attempt wholesale alteration, we recommend both substantive dialogue (discussed above) and data analysis (discussed below). Further, we caution MSHDA at this challenging time in Michigan's economic climate, to make changes incrementally and with sufficient notice to applicants. Per good business models, nonprofit and for-profit developers make long-range business and neighborhood plans that must be coordinated with any revised MSHDA LIHTC strategy.

Commit to at Least Two (2) Funding Rounds Every Calendar Year, Including 2007

The industry has received mixed and changing messages about MSHDA's plans for the remainder of 2007 regarding the LIHTC funding rounds. It is critical that MSHDA proceed with a second funding round before the end of 2007 and that this funding round proceeds consistent with the existing QAP. Upon release of a new QAP, the industry will need time to revise plans and projects to meet the demands of the new QAP. To expect a quick turn around once the new QAP is released, is to place upon an already overburdened industry an additional unnecessary burden.

We acknowledge that MSHDA wants to put in place a new QAP strategy as soon as possible. However, the important role that LIHTC developments play in the already struggling Michigan economy will not be advanced if the wait for a new QAP delays, impedes, or cancels funding rounds. There needs to be consistency in the schedule for LIHTC allocation rounds so applicants can make decisions on moving ahead with the preparation of LIHTC projects.

Third Party Analysis of QAP Data; Sharing of Analysis

It is time for MSHDA to undertake a comprehensive data analysis of the LIHTC program in Michigan. Certainly enough data has been collected to begin a statistical analysis so that future decisions would be grounded on real facts and data rather than anecdotes and speculation. Once the data has been collected and analyzed, the report on this data and MSHDA's planned use of the report would be an excellent opportunity for a public dialogue about the implications of the LIHTC program for meeting the full range of housing needs in the state.

Provide Sufficient MSHDA Staffing to Reduce Waiting Period Between Application and Awards

Despite MSHDA's best intentions, MSHDA's time period between application and announcement of LIHTC awards has lengthened since the 2005-2006 QAP. CEDAM understands that processing increasing numbers of tax credit applications requires a substantial staff which is trained in this complex program and sensitive to the nuances of its administration. However, the presence of a fully staffed, efficient LIHTC program at MSHDA is critical to the effectiveness of the program statewide, not only to ensure a fair and equitable review of all applications, but, most critically, to avoid unnecessary delays which cripple the development process by adding costs, jeopardizing sensitive land acquisition negotiations and ultimately impacting tenants whose rents may increase as a result. As MSHDA has done with other program areas, staff should be allocated to this important program to insure that the program operates effectively and efficiently and applicants can count on a short time-frame for hearing about their award.

The Substance of the QAP Revisions

While CEDAM and its members appreciate the opportunity to provide comment to MSHDA, it is difficult to provide substantive comment when we are without any information about MSHDA's plans for revising and improving the QAP. We look forward to a more substantive discussion once the draft QAP is released. For the time being, we present these more general recommendations.

Fairness; Reward Merit

Fairness and a perception of fairness are some of the most critical components of whatever QAP MSHDA intends to release. Where MSHDA is choosing one area or type of program above another, that choice should be clearly based upon a stated policy, a data-driven decision, or documented social and demographic factors that MSHDA can point to. Applicants undertake substantial expense in order to develop the best possible proposals and there must be assurances that the highest quality development proposals consistent with MSHDA's LIHTC strategy will be reviewed and awarded credits based on their merit.

Align the LIHTC Program with State Initiatives

The Governor, together with DLEG and MSHDA, has outlined priorities for Michigan and for Michigan's neighborhoods. Currently, the connections between credit allocation and state priorities are not always apparent. We would like to see the QAP more clearly reinforce and align itself with MSHDA's and the state's priorities, such as Cool Cities, Cities of Promise and the plan to eliminate homelessness.

Analyze and Put Set-Asides in Data- and Policy-Driven Context

There are CEDAM members who seek to *maintain* certain set-asides (e.g., Cool Cities, Supportive Housing, Preservation, Geographic, Special Needs) and members who seek to *increase* certain set-asides (and, by default, *decrease* other set-asides). The diverse community economic development industry will never reach consensus on the appropriate distribution of LIHTC among various needs. However, MSHDA can help to address this complex problem by making an effort to establish clear goals and priorities for the LIHTC program and tying its set-asides to these

strategies. In time, MSHDA should also be able to demonstrate that these goals have been met as a result of set-asides.

Where possible, MSHDA's set-aside decisions should be based on the state's policies and based upon data demonstrating the success or failure of past set-asides. With this background, the industry can better discuss the appropriateness of any set-aside.

Without information about how MSHDA chose a priority or a set-aside, it will appear that MSHDA simply chose "winners." With information about MSHDA's decision-making, stakeholders can better understand how they came to "win" or "lose" and make their case for change in the future or for maintaining the course. Without this information, the community economic development industry is left in a futile competition between "winners" and "losers" that encourages divisiveness in the industry.

Create a Cure Period for Minor Deficiencies; Extend Pre-Development Shelf Life

A number of CEDAM members have identified a need for MSHDA (i) to allow a "cure period" for minor errors or deficiencies and (ii) to extend pre-development report "shelf life" to one year. These two relatively simple fixes in the new QAP could save applicants significant cost and delay.

As always, thank you for the continuing opportunity to provide commentary on MSHDA's procedures for allocating low-income housing tax credits – we appreciate the fact that you take this "requirement" seriously and try to make the process have an impact.

On behalf of our Board of Directors, I encourage you to contact us directly, should you need any further clarifications of our positions.

Submitted by: Angie Gaabo, CEDAM Executive Director